

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 156

SPONSOR: Senator Cowin

SUBJECT: Sales Tax/Florida Residents' Tax Relief Act

DATE: March 12, 2001 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|---------|----------------|-----------|-----------|
| 1. | Birholz | Maclure | CM | Favorable |
| 2. | _____ | _____ | FT | _____ |
| 3. | _____ | _____ | AGG | _____ |
| 4. | _____ | _____ | AP | _____ |
| 5. | _____ | _____ | _____ | _____ |
| 6. | _____ | _____ | _____ | _____ |

I. Summary:

This bill creates the fourth "Florida Residents' Tax Relief Act," which provides that no sales and use tax will be collected on sales of clothing, wallets, or certain bags having a selling price of \$100 or less during the period from 12:01 a.m. on Saturday, July 28, 2001, through midnight on Sunday, August 5, 2001. The bill also provides that no sales and use tax shall be collected on sales of school supplies having a selling price of \$10 per item or less during that same period of time.

II. Present Situation:

Pursuant to ch. 212, F.S., the State of Florida levies a 6 percent sales tax on most sales of tangible personal property in the state. The statutes currently provide more than 200 non-service exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations. There are no current exemptions specifying a timeframe during which eligible purchases must be made. In addition to the state sales and use tax, local government local option sales taxes are levied on the same tax base as the state tax.

For the past three years, the Legislature has created the "Florida Residents' Tax Relief Act." (chs. 98-341, 99-229, and 2000-175, L.O.F.) Last year's act provided that no sales and use tax would be collected on sales of clothing, wallets, or bags having a selling price of \$100 or less during the period from 12:01 a.m., July 29, 2000, through midnight, August 6, 2000. The term "clothing" was defined to mean any article of wearing apparel intended to be worn on or about the human body, including all footwear, except skis, swim fins, in-line skates, and other skates. For purposes of this act, the term "clothing" also did not include watches, watchbands, jewelry,

umbrellas, or handkerchiefs. The term “bags” included handbags, backpacks, fanny packs, and diaper bags but excluded briefcases, suitcases, and other garment bags.

III. Effect of Proposed Changes:

This bill creates the “Florida Residents’ Tax Relief Act,” which provides that no sales and use tax will be collected on sales of clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, but excluding briefcases, suitcases, and other garment bags, having a selling price of \$100 or less during the period from 12:01 a.m. on Saturday, July 28, 2001, through midnight on Sunday, August 5, 2001. The term “clothing” means any article of wearing apparel, including all footwear, except skis, swim fins, roller blades, and skates, intended to be worn on or about the human body. “Clothing” also includes diapers and incontinence undergarments but excludes watches, watchbands, jewelry, umbrellas, and handkerchiefs. This sales tax exemption, however, does not apply to sales within a theme park, entertainment complex, public lodging establishment, or airport, as defined in ss. 509.013 and 330.27, F.S.

This bill also provides that no sales and use tax shall be collected on sales of school supplies having a selling price of \$10 per item or less during the period from 12:01 a.m. on Saturday, July 28, 2001, through midnight on Sunday, August 5, 2001. The term “school supplies” includes pens, pencils, erasers, crayons, notebooks, notebook filler paper, legal pads, composition books, poster paper, scissors, cellophane tape, glue or paste, rulers, protractors, compasses, and calculators.

The Department of Revenue may adopt rules to administer these provisions and is appropriated \$200,000 from the General Revenue Fund for the purpose of administering this bill.

This bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill falls under subsection (b) of s. 18 of Art. VII, Florida Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989, to raise revenues in the aggregate. By adding an exemption to the state sales tax, this bill has the effect of adding an exemption to the local option county sales surtax. Since the annual local revenue loss is estimated to be more than \$1.6 million, this bill will not be exempt from the requirements of subsection (b).

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The Revenue Impact Conference estimates the fiscal impact of this bill to be a Fiscal Year 2001-02 General Revenue loss of \$40.4 million and a total loss to local governments of \$8 million. There will also be a \$100,000 negative impact on the Solid Waste Management Trust Fund.

| Issue/Fund | General Revenue | | Trust | | Local | | Total | |
|------------------------------|-----------------|------------|----------|------------|--------------|------------|--------------|------------|
| | 1st Year | Recurring | 1st Year | Recurring | 1st Year | Recurring | 1st Year | Recurring |
| Tax Holiday: Clothing | \$ (35.5) | \$ 0.0 | \$ (0.1) | \$ 0.0 | \$ (7.2) | \$ 0.0 | \$ (42.8) | \$ 0.0 |
| Tax Holiday: School Supplies | (3.4) | 0.0 | * | 0.0 | (0.6) | 0.0 | (4.0) | 0.0 |
| Tax Holiday: Diapers | <u>(1.5)</u> | <u>0.0</u> | <u>*</u> | <u>0.0</u> | <u>(0.2)</u> | <u>0.0</u> | <u>(1.7)</u> | <u>0.0</u> |
| TOTAL | \$ (40.4) | \$ 0.0 | \$ (0.1) | \$ 0.0 | \$ (8.0) | \$ 0.0 | \$ (48.5) | \$ 0.0 |

* Insignificant (less than \$50,000)

B. Private Sector Impact:

During the specified period, clothing can be purchased for 6 percent to 7.5 percent less depending on the local option tax rate. Given the timing of the tax-free period, families will be able to save money on clothing and school supplies prior to the beginning of the school year. Moreover, the tax exemptions provided by this bill should significantly increase sales of exempt items during the nine tax-free days.

Although retail sellers may incur some costs for the reprogramming of cash registers and accounting systems, these costs should be mitigated by the existence of procedures developed for previous tax-free shopping periods.

C. Government Sector Impact:

The Department of Revenue may adopt rules to carry out the provisions of this bill and is appropriated \$200,000 from the General Revenue Fund for administrative purposes. As in the last three years, the department would promulgate a rule that provides a comprehensive list of clothing items and school supplies and their taxable statuses pursuant to this bill.

According to the department, the use of an administrative rule and a "Taxpayer Information Publication" was very effective during the past two years in implementing the tax-free acts.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
